

12 August 2026

easyJet response to CAP3286 - Heathrow capacity expansion, update on the approach to the regulatory framework

Dear Sir or Madam,

easyJet submits this response to the Civil Aviation Authority's update on the approach to the regulatory framework for Heathrow capacity expansion, CAP3286. This submission should be read alongside easyJet's responses to CAP3195 and CAP3238. The UK regulatory framework must protect consumers, discipline significant market power, preserve viable competitive entry and ensure that airport users do not fund inefficient or premature investment risk.

easyJet is the largest UK airline and remains a prospective entrant at Heathrow, contingent on additional capacity being made available on commercially viable terms. The regulatory implications of CAP3286 are therefore material for easyJet. Charges, risk allocation, service quality and access conditions will determine whether expansion supports new entry and consumer choice or reinforces existing structural barriers at the airport.

As easyJet will set out in its response to Department for Transport's consultation on the Heathrow Expansion National Policy Statement (HENPS), a central test of expansion should be whether additional capacity creates a commercially viable opportunity for efficient low-cost carrier entry and growth. The regulatory framework will be fundamental to determining whether this is achieved in practice.

easyJet supports the CAA's conclusion that there is a strong case for changing the current framework for expansion. The CAA should use this process to develop a single, principled national framework, applied proportionately to the degree of market power at each airport, rather than a Heathrow-specific settlement that creates inconsistent precedent for Gatwick, other UK airports or future regulated infrastructure decisions. The regulatory framework should therefore be developed in close alignment with the revised HENPS. The HENPS and regulatory framework should together ensure that new capacity is delivered at a cost and on terms that enable commercially viable entry and growth by an efficient low-cost carrier, thereby strengthening competition and consumer choice.

easyJet's CAP3195 response identified the need for market power discipline, competitive entry viability and consistent regulatory precedent as core elements of any reformed framework. These principles remain directly relevant to CAP3286. A framework is not pro-consumer merely because it enables construction. It must also deliver affordable access, efficient investment, resilient service quality and a realistic opportunity for airline competition to discipline outcomes for passengers.

For easyJet, the ability of expansion to enable commercially viable entry and growth by an efficient low-cost carrier should be a core test of the regulatory framework. Additional capacity should not be treated as inherently pro-competitive. Consumer benefits will depend on whether that capacity can be accessed on commercially viable terms by new entrants. The CAA should therefore test each potential framework against competitive entry viability, not only financeability or deliverability, including whether the resulting charge regime would support low-cost carrier entry and subsequent growth. easyJet also reiterates that a single till approach remains the appropriate default for regulated airports with significant market power.

easyJet supports the CAA taking forward Models 1a, 2 and 4a. These models address the central weakness identified in CAP3195: the absence of sufficiently strong, real-time capex governance and cost discipline within the existing RAB framework. The regulatory objective should be to prevent inefficient cost escalation before it becomes embedded in the RAB, not only to review expenditure after airport users have become exposed to it.

easyJet considers that the CAA should develop enforceable capital incentives alongside the governance framework. These should include a credible cost cap or equivalent mechanism, clear rules for excluding inefficient expenditure from RAB treatment, and safeguards against upward resetting of cost allowances without exceptional evidence. Weak incentives would allow expansion risk to be socialised through airport charges while preserving upside for HAL or any other developer.

easyJet supports the CAA taking forward Models 4b and 5b. Competitive procurement is one of the most practical ways to introduce commercial discipline into the delivery of expansion infrastructure. It can improve cost visibility, test HAL's delivery assumptions against market alternatives and reduce the risk that inefficient expenditure is recovered from airport users through charges.

easyJet recognises that Model 3 could, in principle, provide greater financing certainty for a project of this scale. In particular, any longer-term framework for returns should avoid locking in returns above the level required, limiting the CAA's ability to intervene where necessary, or transferring construction, demand and cost escalation risk from investors to airport users. The need to secure finance for expansion should not override this competitive entry test. Financeability should follow from an efficient and commercially viable expansion proposition, rather than the regulatory framework being used to support a level of airport charges that would undermine the ability of new entrants to compete. This concern is consistent with easyJet's CAP3195 and CAP3238 positions. Passengers and airlines should not pre-fund assets before they are used, should not bear inefficient development risk, and should not pay returns on costs where the relevant risk has been materially transferred away from investors. Any long-term cost of capital, premium, cap and collar, indexation or re-opener mechanism should therefore be subject to a clear consumer benefit test. That test should require the CAA to demonstrate that the mechanism reduces the expected level of airport charges compared with more flexible alternatives and does not primarily protect HAL from risks it should bear. It should also include robust cost allocation rules to prevent costs being classified as expansion expenditure to access more favourable treatment. Costs recovered early from users should not receive duplicative RAB or WACC remuneration.

easyJet supports the CAA continuing to develop Model 7b as a contingency framework, not as a predetermined outcome. If a third party obtains planning consent for all or part of the expansion infrastructure, the regulatory framework must be capable of accommodating that outcome in a way that protects consumers and preserves operational resilience. However, easyJet does not consider that direct

competition should be implemented without evidence that benefits exceed the risks of fragmentation, coordination complexity and interface costs.

easyJet considers that the CAA's September work plan should include a focused set of evidence requirements and decision tests. These should be framed around consumer benefit, competitive entry viability and regulatory accountability.

- a consumer benefit test for any long-term return mechanism, including comparison with alternative financing, governance and procurement approaches;
- a competitive entry viability assessment, testing whether each regulatory model and the resulting charge path would enable commercially viable entry and growth by an efficient low-cost carrier at Heathrow;
- a detailed cost allocation framework distinguishing expansion, early costs and business-as-usual capex, with assurance and audit requirements;
- a proposed approach to an enforceable overall expansion cost cap, including the circumstances in which costs would be excluded from RAB treatment;
- analysis of demand risk, including the implications if demand for new capacity is materially below forecast;
- clear alignment between the revised HENPS, expansion framework, early cost recovery, single till principles and the H8 price control, so that decisions in one process do not pre-determine outcomes in another; and
- a requirement for HAL and any third-party providers to provide detailed timetables for infrastructure, cost, funding and procurement information.

easyJet remains committed to constructive engagement with the CAA and stakeholders as the regulatory framework is developed.

Yours faithfully,

Marco L. Gatti

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